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FARMERS' NEWSLETTER



livestock

June 78/L-3

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Livestock prices have been rising so far this year--more than most people expected. But what about the rest of this year? And 1979? What are the prospects for market supplies and prices of hogs and cattle during the next 6 to 12 months?

Important clues to these questions will be provided by three major livestock reports we will issue during the next few weeks. The first of these reports will provide information about the number of hogs and pigs, and farrowing intentions. The second will concern cattle on feed, and the third will be an inventory of all cattle on farms and ranches.

Mark these dates and subjects on your calendar:

- June 22--Hogs and Pigs
- July 19--Cattle on Feed in 23 States
- July 26--Cattle inventory

These reports will be released at 3:00 p.m. eastern time. Summaries will be included in many evening radio and TV newscasts. After 4:00 p.m. you can get the highlights of each report by telephone. All you need to do is just call our toll-free number: 800-424-7964.

On the next day there will be related articles in newspapers. More detailed reports and comments will appear in farm magazines, trade papers, and newsletters over the following 2 weeks.

What to look for in the "Hogs and Pigs" report.

The principal items in this report will be estimates of:

- The winter (December 1977-February 1978) pig crop.
- The spring (March-May) 1978 pig crop.
- Market hogs and pigs on hand June 1 (by weight group).
- The intended sow farrowings for this summer and fall.

The figures will be for the current year and the past 2 years. Also shown will be percentage changes of this year's figures from those of a year ago, and 2 years earlier.

Based on information now available, our forecast is that hog slaughter this summer (July-September) will be up 2 to 4 percent from last year. For the fall quarter (October-December), slaughter may be up about 5 percent.

Considering the prospective pork supply, probable beef and broiler supplies, and the expected increase in consumer incomes, our analysts expect prices of barrows and gilts to average in the low \$50's during the summer, and in the \$46-to-\$48 per cwt. range during the fall.

These forecasts may hold, or be revised, depending on what the June 22 report shows. They will hold if the report shows that the winter pig crop was about the same as that of the year before, and if the spring pig crop is up 4 to 6 percent.

Now suppose the report shows that the spring pig crop was up only about 1 percent, the same as farrowing intentions reported earlier. This would indicate that hog slaughter during the fall quarter would total near last fall, and that prices would average around \$50.

It is possible, of course, that the spring pig crop was smaller than a year ago. A decrease of, say 3 to 5 percent, likely would put prices in the low to middle \$50's through year-end. It would also point to somewhat

higher cattle prices than are now expected.

The same report will also carry information about farmers' farrowing intentions for June-November.

If intentions are up substantially, say 8 or 9 percent, and if actual farrowings are up similarly, pork production during the first half of 1979 could increase 6 to 10 percent from the 1978 volume. That prospect would justify price expectations of \$43 to \$47 per cwt. during the first half of next year.

A smaller increase in farrowings would point to higher prices, near the \$46 to \$48-level expected for this fall.

A decrease of several percentage points in farrowing intentions would indicate steady to rising hog prices through the first half of 1979.

What to look for in the report of "Cattle on Feed"

This report will be based on a survey made about July 1, covering the 23 major cattle-feeding States. The most important data in the report are:

- Placements on feed during April-June.
- Number of cattle on feed on July 1 (by weight group).
- Intended marketings of fed cattle during July-September.

Based on information now available, our analysts expect that the July 1 survey will show placements during the April-June quarter up 3 to 5 percent from the year before. Our analysts also believe that the survey will show more lightweight and fewer heavy cattle on feed than a year ago.

SOW FARROWINGS

MIL. HEAD



I = December through May II = June through November

Check on July 19 to see what is revealed by the survey of cattle feeders which is conducted around the first of July.

Price expectations for the summer quarter (July-September) will depend largely on the number of cattle on feed in the heavier weight groups, and on marketing intentions.

We think that farmers' marketing intentions will be up 3 to 5 percent from a year ago, and that prices will average \$55 to \$57 (Choice steers at Omaha).

If feedlot operators report intentions to boost marketings of fed cattle by substantially more than 5 percent, price expectations for the summer quarter would be pulled down to the low \$50's.

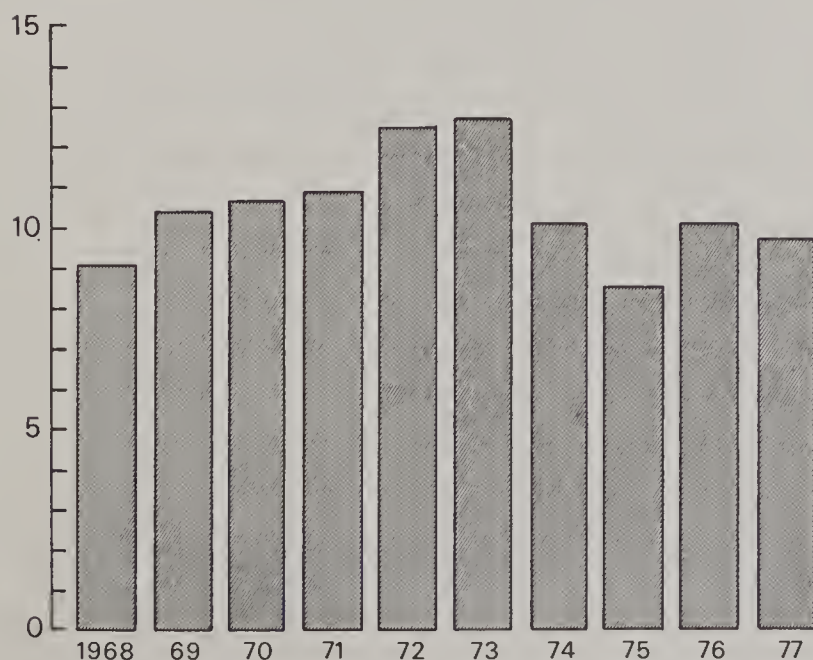
Conversely, intentions to market no more, or fewer, cattle than a year ago would lift price projections to around \$60.

What to look for in the "Cattle Inventory" Report

The July 1 inventory of cattle and calves has been issued each year since 1973. The 1978 report, to be

CATTLE ON FEED, JULY 1 (23 States)

MIL. HEAD



issued on July 26, will contain figures for this year and comparable data for 1 and 2 years earlier. It will show:

- Total cattle numbers.
- Cows and heifers that have calved.
- Heifers and steers weighing over 500 pounds.
- Heifers intended for adding to breeding herds.
- An estimate of 1978 calf crop.

Check to see how the numbers for 1978 compare with those for 1977 and 1976. Note especially the number of beef cows on hand July 1, and the number of heifers being held for addition to beef cow herds.

These figures will give some indication of whether the Nation's beef cattle herd:

- will continue to shrink for another year,
- is leveling off, or
- is starting to rebuild.

During the past 3 years farmers and ranchers sold more cattle (beef on the hoof) than they produced. They trimmed the Nation's cattle herd from 132 million head to 116 million--12 percent. The downturn is continuing this year. The July 1 inventory may be down 5 to 8 percent from last year.

Initially a herd sell-off increases beef supplies and depresses prices of cattle. Later, it brings smaller calf crops, shorter beef supplies, and higher prices for cattle.

Judging from the history of the past 100 years, herd rebuilding will



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begin soon. The favorable returns from sales of feeder cattle and calves will encourage cow-calf operators to hold back extra heifers for adding to breeding herds.

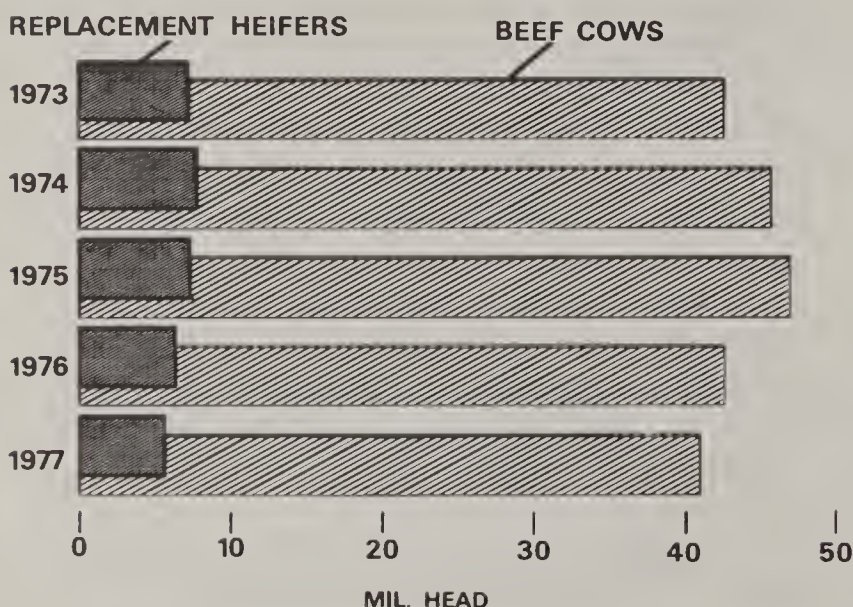
Cattlemen will begin selling fewer cattle (less beef) than they produce. Cattle producers will gain from the higher prices for fed cattle, which will be reflected in better returns from feeder cattle.

Some other points to consider: Most livestock market analysts expect that during the next year or so, diminishing supplies of beef will be offset, in part at least, by increasing output of pork and broilers. Those offsetting changes will tend

to moderate advances in prices of cattle, and to temper declines in prices of hogs. However, if supplies of both beef and pork decrease, hog and cattle prices could be considerably higher than now expected. Conversely, if supplies of both increase, livestock prices could be lower.

Recent prices for livestock were considerably higher than would be expected from livestock slaughter rates, consumer incomes and other price-making factors. Don't be surprised if livestock prices recede from recent levels even with no big increase in market supplies.

BEEF COW INVENTORY, JULY 1



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* " Just when beef prices are be- *
* ginning to signal producers to *
* start rebuilding herds, propos- *
* als are being made to thwart *
* further price increases. Any *
* such government actions should *
* be carefully examined for their *
* potential in stimulating contin- *
* ued herd sell-offs." *
* * * * *

* This pertinent statement is *
* from a new report Retail Meat *
* Prices In Perspective. For a *
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